

## DEPARTMENT OF THE INTERIOR

**NAVAJO GENERATING STATION – KAYENTA MINE COMPLEX PROJECT  
ENVIRONMENTAL COMPLIANCE QUARTERLY STATUS UPDATE****3<sup>rd</sup> Quarter 2015 (July – September)****1. Introduction**

The Navajo Generating Station (NGS) plant lease, and other grants of right-of-way (ROW) associated with NGS power generation and distribution begin to expire on December 22, 2019. NGS is the primary source of energy for the Central Arizona Project (CAP), which supplies over 1.5 million acre-feet (maf) of Colorado River water annually to south-central Arizona. A number of Federal actions and approvals related to NGS and the associated Kayenta Mine Complex (KMC) must occur for continued operations beyond December 22, 2019, through December 22, 2044. These Federal actions require compliance with the National Environmental Policy Act (NEPA), the Endangered Species Act (ESA), the National Historic Preservation Act (NHPA), and other applicable statutes.

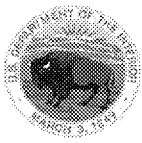
The Department of the Interior (DOI), with the Bureau of Reclamation (Reclamation) as lead Federal agency for completing the environmental compliance requirements for the proposed NGS-KMC Project (Project), is preparing an environmental impact statement (EIS). The Office of Surface Mining Reclamation and Enforcement-Western Region (OSMRE) and Bureau of Indian Affairs-Navajo Region (BIA) are Key Cooperating Agencies due to the Federal actions associated with the Project over which they have jurisdiction. The Project proponents are the Salt River Project Agricultural Improvement and Power District (SRP), which is a co-owner and the operator of NGS, and Peabody Western Coal Company (PWCC), which operates the KMC (collectively, referred to as the Project Proponents). Appendix A provides additional Project background.

This status update report covers the third quarter of 2015 (July through September). Please contact either Mr. Russell Callejo (303-445-2918 or [rcallejo@usbr.gov](mailto:rcallejo@usbr.gov)) or Ms. Sandy Eto (623-773-6254 or [seto@usbr.gov](mailto:seto@usbr.gov)) with any questions concerning the content of these reports.

**2. Reporting Period Accomplishments**

- **Cultural Resources:** Ethnographic studies continued for the Navajo Nation and Hopi Tribe, to assist in identifying Traditional Cultural Properties and Traditional Cultural Landscapes. A third ethnographic study for the Zuni Tribe is anticipated to be initiated this fall. Class III survey of the Western Transmission System commenced.
- **Public Involvement:** Stemming from the ethnographic work conducted with residents living within the PWCC mine leasehold, and at their request, two listening sessions were held with the residents at the PWCC Human Resources Center on July 16 and August 28, 2015. The residents provided input on cultural resources and other issues related to the Project. The concerns expressed were identified during public scoping and will be addressed as part of the environmental compliance process.





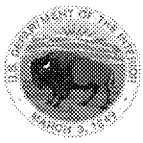
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- Tribal Consultation: A Government-to-Government meeting was held with the new administration of the Navajo Nation on July 21, 2015, on all things NGS. One of the topics discussed was an environmental compliance update. A staff-level workshop was held the day before to continue outreach and engagement on the Project.
- Technical Studies: Work to complete numerous technical studies in several resource areas continued. These studies include air modeling related to National Ambient Air Quality Standards, ecological risk assessments, and human health risk assessments. Groundwater modeling related to the Kayenta Mine is also being completed. Some results have been received; some study results have been delayed until mid-fall. These studies will provide essential technical information from which to develop the draft EIS, particularly Chapter 3 – Affected Environment & Environmental Impact Analysis.
- Preliminary Draft EIS: Chapters 1 and 2 were revised and reviewed by the Key Cooperating Agencies, and the Project Proponents.

### 3. Related Events

- NGS Ownership Divestitures: The Los Angeles Department of Water and Power (LADWP) and Nevada Energy (NV Energy) must divest their ownership interests in NGS due to California and Nevada State law, respectively. Negotiations have been ongoing for several months with both entities. An asset purchase agreement between SRP and LADWP - where the former acquires the latter's share in NGS generation through 2019 - received approval by both entities' boards and the City of Los Angeles earlier this year. Pending final approvals, including environmental compliance, consent and waiver of right of first refusal, the asset purchase agreement would be effective no earlier than July 1, 2016. NV Energy currently intends to continue receiving its share of NGS generation through December 22, 2019. A separation agreement between NV Energy and the remaining NGS co-owners is anticipated prior to that date.
- Clean Power Plan Final Rule: In June 2014, the Environmental Protection Agency (EPA) proposed the Clean Power Plan to reduce carbon emissions from existing power plants under section 111(d) of the Clean Air Act. EPA proposed a supplemental tribal supplemental proposal in October 2014 that applied to existing power plants in Indian Country and U.S. Territories, including NGS. A final rule was announced in August 2015, and published in the *Federal Register* in October 2015. The planned unit closures at NGS and the Four Corners Power Plant are expected to satisfy carbon reduction requirements for these plants on Navajo Nation tribal trust lands under the Clean Power Plan; however, Reclamation will continue to closely monitor Clean Power Plan developments and evaluate potential effects on the EIS process.
- Council on Environmental Quality's (CEQ) Revised Draft Guidance on Integrating Analysis of Greenhouse Gases and Climate Change in NEPA Documents: The Revised Draft Guidance was released by CEQ for a 60-day public review and comment in





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December 2014. It describes how Federal departments and agencies should consider the effects of greenhouse gas emissions and climate change in their NEPA reviews.

Greenhouse gas emissions will be a focal point of this EIS; in addition, the EIS Team recognizes the importance of addressing climate change and has established a climate change team to frame and develop the analysis for inclusion in the EIS.

### **4. Status of Federal Actions by Statute**

Appendix D, Table 1, summarizes the status of compliance activities by major Federal environmental statute, and is accompanied by a list of commonly used acronyms and abbreviations.





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**APPENDIX A – Project Background**

NGS is a 2,250 megawatt (MW) coal-fired power plant located on land leased from the Navajo Nation in northern Coconino County near Page, Arizona. It has three 750 MW generating units, which provide baseload power to customers in Arizona, Nevada, and California. NGS has five co-owners, including SRP, which also operates the plant. In addition to SRP, which holds a 21.7% share, the other co-owners and their share of ownership are as follows: LADWP (21.2%); Arizona Public Service Co. (14.0%); NV Energy (11.3%); and Tucson Electric Power (7.5%). Moreover, the United States has an entitlement to 24.3% of the power produced at NGS, which is held by SRP for the use and benefit of the United States. Together, these six entities are referred to as the “NGS participants.” All six NGS participants have the same roles and responsibilities regarding major operation- and expenditure-related decisions which require consensus among and agreement of all six NGS participants.

The power held by SRP for the use and benefit of the United States is managed by Reclamation on behalf of the Secretary of the Interior. This Federal share is used to deliver more than 1.5 maf of Colorado River water annually through the CAP facilities, from Lake Havasu in western Arizona to agricultural users, Indian Tribes, and millions of municipal water users in Maricopa, Pinal, and Pima counties, Arizona. Revenues from sale of the United States’ share of power not needed for CAP water deliveries (“surplus power”) are used to help pay annual repayment costs of CAP construction, and to implement Indian water rights settlements described in the Arizona Water Settlements Act of 2004.

Coal used by NGS is supplied by PWCC’s Kayenta Mine, which is located about 80 miles southeast of NGS; the coal is delivered via electric railroad. The Kayenta Mine is located on about 44,073 acres of land leased within the boundaries of the Hopi Tribe and Navajo Nation Indian Reservations in northern Navajo County, near the town of Kayenta, Arizona. Both NGS and the Kayenta Mine are major contributors to the economies of the Navajo Nation, the Hopi Tribe, the city of Page, Coconino County, and the state of Arizona. NGS employs approximately 520 full-time people, and 1,000 temporary workers for yearly maintenance. About 85% of NGS employees are Native American. The Kayenta Mine employs 422 people, of which 87% live on either the Hopi or Navajo Reservation.

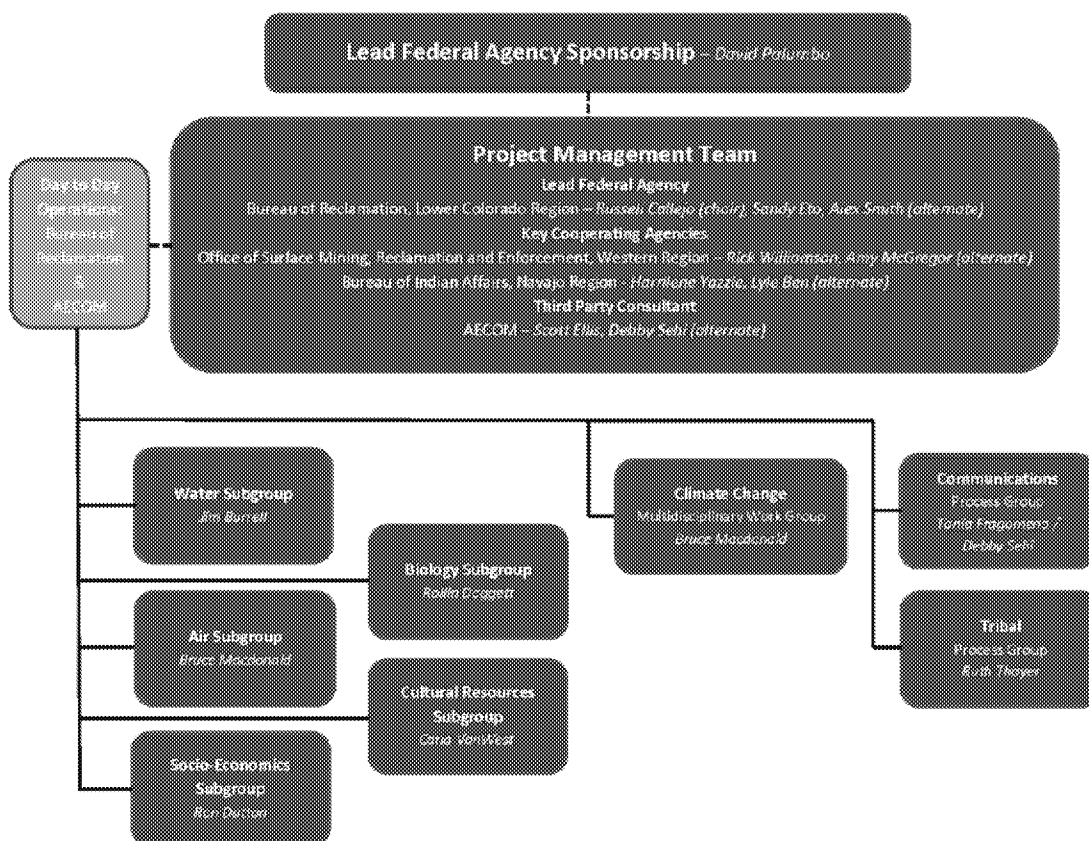




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**APPENDIX B – Milestone Schedule**

Major Milestones	Target Completion Date	Actual Completion Date
Conduct Initial Tribal Consultations	Spring 2014	July 3, 2014
Notice of Intent	Spring 2014	May 16, 2014
Public Scoping Period	Summer 2014	August 31, 2014
Develop Draft EIS	Summer 2014 – Summer 2016	In progress
Publish Draft EIS and Public Comment Period	Summer 2016	
Develop Final EIS	Summer 2016 – Summer 2017	
Publish Final EIS and 30-day Wait Period	Summer 2017	
Record of Decision	Fall 2017	

**APPENDIX C – Project Management Team Graphic**



<b>NATIONAL ENVIRONMENTAL POLICY ACT</b>	
<b>Previous Work (4/2012 – 6/2015)</b>	<ul style="list-style-type: none"> <li>Reclamation as lead agency, and OSMRE and BIA as KCA, initiated preparation of an EIS for the NGS-KMC Project, as well as activities associated with other environmental regulatory requirements. On behalf of the Project Proponents, SRP hired AECOM as a third party contractor to assist in preparation of the EIS. SRP also hired ENVIRON to conduct an ERA, HHRA, and related air deposition modeling work.</li> <li>Reclamation hired USGS to peer review the PWCC groundwater model and verify seeps/springs inventory information.</li> <li>Formal public scoping was held May 16, 2014 through August 31, 2014. Ten public scoping meetings were held June 10-June 20, 2014, in the following Arizona locations: Window Rock, Forest Lake Chapter, Kayenta, Shonto, LeChee, and Tuba City on the Navajo Reservation; Kykotsmobi on the Hopi Reservation; and Page, Phoenix, and Marana. Meetings in Forest Lake Chapter, Kayenta, and Kykotsmobi satisfied Informal Conference requirements under SMCRA. An additional scoping meeting was held on Third Mesa of the Hopi Reservation on August 14, 2014; two community outreach meetings also were held on First and Second Mesas, on August 13, 2014. For a copy of the Scoping Summary Report, please go to: <a href="http://ngskmc-eis.net/scoping-summary-report-files/">http://ngskmc-eis.net/scoping-summary-report-files/</a>.</li> <li>A Cooperating Agencies meeting was held October 29, 2014, in Phoenix, AZ; future meetings will be held on an as-needed basis.</li> <li>For the current status of cooperating agencies assisting in the preparation of the EIS, please go to: <a href="http://ngskmc-eis.net/about-the-eis/cooperating-agencies/">http://ngskmc-eis.net/about-the-eis/cooperating-agencies/</a>.</li> </ul>
<b>Reporting Period (7/2015 – 9/2015) Accomplishments</b>	<ul style="list-style-type: none"> <li>Chapters 1 &amp; 2 were revised and reviewed. Work on Chapter 3-Affected Environment continued.</li> <li>A Government-to-Government meeting was held with the new administration of the Navajo Nation on July 21, 2015.</li> <li>Two meetings were held at Kayenta Mine with residents who live within the mine leasehold, to hear their concerns and issues (7/16 and 8/28/2015).</li> <li>AECOM conducted interviews with additional mine leasehold residents in Kayenta, Arizona.</li> <li>Interim reports of several of the air modeling studies were received.</li> <li>Efforts initiated to identify out of ROW access roads associated with the WTS.</li> </ul>
<b>Next Quarter's Projected Work</b>	<ul style="list-style-type: none"> <li>All analyses results to be provided to Reclamation/AECOM.</li> <li>Preliminary draft of Chapter 3 to be delivered to Reclamation.</li> <li>Meetings with Hopi Tribe and Navajo Nation to be scheduled.</li> </ul>





<b>ENDANGERED SPECIES ACT</b>	
<b>Previous Work (4/2012 – 6/2015)</b>	<ul style="list-style-type: none"> <li>FWS confirmed the Phoenix AES, Flagstaff Field Office, will take the lead role in ESA Section 7 consultation; FWS New Mexico native fish staff also will participate.</li> <li>Field trips to both the NGS and Kayenta Mine have taken place.</li> <li>AECOM mapped species locations based upon input received thus far, coordinating with Navajo, Hopi and FWS to fill any data gaps regarding species locations.</li> </ul>
<b>Reporting Period (7/2015 – 9/2015) Accomplishments</b>	<ul style="list-style-type: none"> <li>Tortoise surveys were conducted on portions of the Western and Southern transmission corridors.</li> <li>Additional analyses/results were reported out to the Biology Subgroup by ENVIRON.</li> <li>Meetings continued with FWS to discuss study results.</li> </ul>
<b>Next Quarter's Projected Work</b>	<ul style="list-style-type: none"> <li>Coordination with FWS will continue.</li> <li>Remaining initial results for various studies scheduled to be delivered during the 4<sup>th</sup> quarter; meetings to determine potential measures to offset impacts will be held</li> <li>Preliminary draft BA to be reviewed by Reclamation.</li> </ul>

<b>NATIONAL HISTORIC PRESERVATION ACT</b>	
<b>Previous Work (4/2012 – 6/2015)</b>	<ul style="list-style-type: none"> <li>Reclamation initially met with the following organizations regarding the proposed Project: AZ, NV, and UT State Historic Preservation Officers; Navajo Nation Cultural Resource Manager; Hopi Cultural Preservation Office and staff; Zuni cultural resources staff; Project Proponents. Letters of interest for NHPA Section 106 consultation also were sent to several Paiute tribes located around NGS.</li> <li>Reclamation held CRUMs in Flagstaff at the Museum of Northern Arizona on October 30, 2013, May 15, 2014, and December 2, 2014, to update agencies and the interested public on NHPA-related issues regarding the Project.</li> <li>Meetings were held regarding the Western Transmission System with UT BLM archaeologists on the portion that goes through the Escalante-Staircase Wilderness, and with NPS cultural resources staff for the portion that passes through the Glen Canyon National Recreation Area.</li> <li>Meetings have been held with Navajo and Hopi cultural staff regarding their respective Traditional Cultural Properties (TCP)/ethnographic studies.</li> <li>Reclamation met with Non-Governmental Organizations as a listening session to hear their cultural resources concerns related to the Project.</li> <li>Contracts have been issued by SRP for ethnography studies for the Navajo Nation and The Hopi Tribe; a scope of work for the Zuni ethnography study is being reviewed by the Zuni THPO.</li> </ul>
<b>Reporting Period (7/2015 – 9/2015) Accomplishments</b>	<ul style="list-style-type: none"> <li>The revised KMC PA was sent to the Navajo Nation, Hopi Tribe, Zuni Tribe, AZ SHPO and Advisory Council on Historic Preservation for review.</li> <li>The Western Transmission System Class III survey was initiated.</li> <li>Reclamation met with BLM's archaeologists and realty specialists to continue discussions on requirements for ROW renewal.</li> <li>SRI Foundation is working on preparing the draft NGS PA</li> <li>The draft Class I Overview Report is under review by the KCAs, BIA-Western, and BLM.</li> </ul>
<b>Next Quarter's Projected Work</b>	<ul style="list-style-type: none"> <li>The ethnography study contract for the Zuni Tribe will be awarded.</li> <li>The overview ethnography study contract will be awarded.</li> <li>The contract to undertake Class III surveys on areas to be mined will be awarded.</li> <li>Meetings with the Navajo Nation, Hopi Tribe and Zuni Tribe will be held to discuss the KMC PA.</li> </ul>





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### NAVAJO GENERATING STATION-KAYENTA MINE COMPLEX PROJECT 3RD QUARTER 2015 ► TABLE 1. COMPLIANCE ACTIVITIES BY STATUTE

#### List of frequently used acronyms and abbreviations:

AES	Arizona Ecological Services, FWS	PWCC	Peabody Western Coal Company
AGFD	Arizona Game and Fish Department	Reclamation	Bureau of Reclamation
APE	Area of Potential Effect	SHPO	State Historic Preservation Officer
AZ	Arizona	SMCRA	Surface Mining Control and Reclamation Act of 1977
BA	Biological Assessment	SRP	Salt River Project Agricultural Improvement and Power District
BIA	Bureau of Indian Affairs	TCP	Traditional Cultural Property
BLM	Bureau of Land Management	USGS	U.S. Geological Survey
CAP	Central Arizona Project	UT	Utah
CRUM	Cultural Resources Update Meeting		
EIS	Environmental Impact Statement		
ENVIRON	Consultant conducting various risk assessments		
EPRI	Electrical Power Research Institute		
ERA	Ecological Risk Assessment		
FCPP	Four Corners Power Plant		
FWS	U.S. Fish and Wildlife Service		
HHRA	Human Health Risk Assessment		
ITCA	Inter-Tribal Council of Arizona		
KCA	Key Cooperating Agency or Agencies (OSMRE and BIA)		
KMC	Kayenta Mine Complex		
LADWP	Los Angeles Department of Water and Power		
MOU	Memorandum of Understanding		
NGS	Navajo Generating Station		
NHPA	National Historic Preservation Act		
NOI	Notice of Intent to Prepare an EIS		
NPS	National Park Service		
NV	Nevada		
OSMRE	Office of Surface Mining Reclamation and Enforcement		
PA	Programmatic Agreement		
Project	NGS-KMC Project		

